

M/031/003
RECEIVED

APR 27 2005

DEER TRAIL MINING COMPANY, LLC

**P.O. Box 129
Marysvale, UT 84750**

DIV. OF OIL, GAS & MINING

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State of Utah
Department of Natural Resources
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210

April 22, 2005

P.O. Box 145801,
Salt Lake City, UT 84114 - 5801
Ph. 801-538-5340
Fax: 801-359-3940
Attn: Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

Dar Mr. Haddock:

Subject: Response to Your Initial Review of Amended Notice for Large Mining Operations,
Unico Incorporated, Deer Trail Mine, M/031/003, Piute County, Utah

Thank you for your letter of March 29, 2005. I received it from the mine this morning.

Please note that Dan Proctor is no longer in charge of permit applications for the Deer Trail Mine. At the present time, we are negotiating with Talon Resources to do our permit applications but in the interim, I, Wayne M. Ash, P. Eng, am in charge of permit applications.

In order to speed up our communications in future and insure that all relevant parties receive them with dispatch will you please address further communications to:

Wayne M. Ash
Unico, Inc.
Deer Trail Mine
P.O. Box 129
Marysvale, UT 84750

With a cc to
Mark Lopez,
CEO Unico Inc.
8880 Reo San Diego Drive

8th Floor
San Diego, CA 92108

In order to conform with DOGM standards, I've ordered both the R.S. Means Heavy Construction Cost Data and the Caterpillar Handbook for estimating applicable costs. It has now been 11 days and I still have not received it. In its absence, I estimated costs according to my own experience and have shown the formulas I used in calculations. I spoke to Doug Jensen on the phone this morning as to what I should do in absence of the R.S. Means Heavy Construction Cost Data and he said to send what I had and he would add any corrections pertaining to the above.

I have shown my responses below, to your letter of March 29th today and am including replacement pages of the original mining notice using redline and strikeout text as you have recommended. Also included is my revised cost estimate and three additional drawings to help clarify some of the questions. Finally, all data sent to you today is in duplicate.

R647-4-5-105 -- Maps, Drawings and Photographs

105.2 Surface facilities Map:

Paragraph beginning, "The plan indicates"

Response: The drawing ML-4 shows a door on the south side of the upper annex. This was added on the assumption that we would get permission, in future, to install a filter plant. The door still exists although there is not filter plant. However, this has been locked with a padlock to prevent use and accidents. Since the door is part of the south wall of the upstairs portion of the mill annex, it will be dismantled as part of the south wall and therefore, has already been taken into consideration in the dismantling costs.

Paragraph beginning, "The description of the fine ore bin"

Response: the upper deck will be accessed by a vertical, steel ladder-way wedged between the two bins and the outside wall. The outside wall will act as the ladder guard. Another access-way will include an operator walkway adjacent to the long, inclined feed conveyor. This has not been included in the drawings as it has not been purchased yet.

Paragraph beginning, "There are no drawings"

Response: We have tabs on several used truss conveyors which vary in length from 90 to 116 feet long which will do the job required but have not yet purchased one. We will not purchase one until we have the funds to do so, at which point we will draw up the plans for it and submit them to your office. Since we are uncertain as to which of the applicable used conveyors are available at the time in which we purchase the conveyor, plans for the supports would be of a theoretical nature only. It is likely that one intermediate support will be required and it is assumed, at this time, that the surface of the concrete support forms would remain one foot below the normal ground surface and that the supports would consist of steel girders. However, I cannot complete my calculations on the girders without knowing the design and weight of the conveyor we will purchase.

Paragraph beginning, "Drawing ML-3 shows the concrete"

Response: The reinforcement of the walls includes 5/8" vertical rebars and 5/8" horizontal rebars, all at 1-ft spacing, with tie in 1/2" "C"-shaped rebar tie-ins at 2 ft centers. The rebars are both on the inside and outside of the vertical walls, approximately 4" in from each wall surface. Since I'm in Canada at the moment, the drawings are not available to me. However, I will draw a set for you on 8 1/2 x 11 paper and these will be included with this letter.

Paragraph beginning, "this drawing also seems to indicate"

Response: You are correct that the floor beneath the bins has not been included in the demolition cost estimate. The floor will be 3" to 4" thick with no reinforcement, and is strictly to act as a smooth base for shoveling up any material that might fall off the mill feed conveyor. The concrete will be laid on a plastic sheet so that the concrete can be lifted up and broken up with a back-hoe, excavator or bulldozer once the walls have been blasted, the wall-rebar cut, and the resulting rubble buried. The estimated cost for removal and burial of the rubble has been taken into account in the revised Table 1.

Paragraph beginning, "The plan indicates that the pad conveyor gallery"

Response: Although the pad that supported the original ore bin was indeed smaller than that shown on my plan, when it was originally installed, there was some two yards of concrete mix left over. The workmen at that time therefore, put up forms immediately to the north of the original fine ore bin foundation. This section was approximately 6" deep and was filled with the excess concrete. This pad extension to the north was used for a firm base for the front wheels of the front-end-loader when loading the original bucket-conveyor hopper.

R647-4-111 – Reclamation Practices

111.1 Public safety and welfare

Paragraph beginning, "The plan indicates that the fine ore bins"

Response: What I tried to portray was obviously not clear enough. Let me explain: The fine ore bin is presently located in the Richfield area. The bin itself composed of 3/8" steel walls and is actually 10 ft 11 inches outside diameter but is reinforced with 6" x 2" channels around the outside at approximately 5 foot intervals. The cylindrical portion of the bin is 35 feet long. Just prior to installation, this will be cut into two equal halves, each 17.5 feet long. These two halves constitute the ore bins and will be cut prior to trucking them to the mill-site. The bins will be put in place with a crane and will be spot-welded to the steel sleepers, which will cover the top of the concrete walls. In dismantling the bins, the spot welding will be cut prior to pulling the bins down. In actuality, it is most likely that the bins will be sold prior to dismantling. If they are, their removal would be more complicated but the removal would be the responsibility of the buyer, and would therefore, would be beyond the scope of this application amendment. However, there is no guarantee that the bins will be sold. Thus, the worst-case situation is assumed, in which the bins are pulled down. Under this scenario, there are two options. Salvagers are available who will not only load and haul away the steel bins at no cost, but will actually pay the scrap-metal price. However, I have neglected this scenario and made the assumption that the bins would be hauled to the Marysvale steel scrap yard, some seven miles away. Each empty bin will weigh in the range of 5 tons.

Not included in my original costs estimate is the cost of removal of the discharge hoppers and sleepers beneath the bins, which would have to be accomplished prior to drilling the concrete walls. This has now been incorporated into the cost estimate.

111.11 Structures & equipment buried or removed

Paragraph beginning, "The amendment discusses materials"

Response: Plans for the demolition and removal of the fine ore bin parts has now been incorporated into the revised cost estimate.

R647-4-113 – Surety

The description of the mobile equipment has been added to the main Application Cost Estimate. However, they are also shown as follows:

- a) A high-lift fork-lift (c/w basket), required for the removal of sheet metal siding and purlins.
- b) A Lo-boy tractor and trailer for both mobilization/demob of the mobile equipment, and for hauling the steel to the Marysville steel dump.
- c) An excavator (preferably a Cat 317 B L or equivalent) for pulling down structures with long cables, excavating bury-pits, separating steel, wood and concrete, and loading haul trucks to take steel to Marysville steel dump.

Equipment

Paragraph beginning, "the cost estimate indicates"

Response: the reason that the truck and forklift were not included is that they were also used for the dismantling of the mill and all the work is done concurrently. Therefore, the mobilization and demobilization costs for these would have been included in the cost estimate for dismantling the mill.

Same paragraph, sentence beginning, "Do these equipment costs include fuel, "

Response: In my original calculation, the \$500/week rental cost for the compressor included overhead and profit but did not include fuel. Fuel consumption is normally in the range of 3.0 to 3.5 gallons per hour of operation. Based on 16 hours of operation for the drilling of the F.O.B. walls, at a cost of \$2.25/gallon, with a 20% profit margin, the additional cost would be \$170. This has now been included in revised Table 1.

Same Paragraph, sentence beginning, "This job is located a distance".

Response: Since the workmen will come from the Richfield area, and since the roads are all passable by automobile, they will drive themselves to work. The \$53 per hour charged then goes directly to them. If they are making a basic wage of \$16 per hour, the rest constitutes profit to the individuals. In order complete the demolition etc., no more than three men would be needed at the site at one time. One of these would be the Contractor, who would also do physical work. Since the crew would be so small, there are many local ranchers, with excellent skills, who would be excellent candidates for the contract. The only specialized person would be the blaster, who would have to be brought in for one day to load the holes and blast them.

Roof & Wall Square Footages:**Paragraph beginning, "Unable to understand the square footages"**

Response: The additional 9 ft was equivalent to an 8 ft wall plus 1 foot of roof slope. However, since there were other minor errors, I have included three additional drawings (ML-11, ML-12 & ML-13, to help clarify the situation. The square footages have now been corrected in Table 1. It should be noted that the square footages of area shown were simply to give an impression of the area to be denuded of siding. They were not used in actual calculations. The square footages of the gangway (conveyor gallery) have also been shown in the additional three figures.

Removal of Two Silo Bins:**Paragraph beginning, "The diameter of each silo is 11'"**

Response: What I thought I wrote and what you thought I wrote are at odds. Each of the silos are 17.5 feet high. If each is cut down vertically into two halves, the total vertical cut length is $17.5 \times 4 = 70$ lineal feet. At a rate of 5 minutes per ft it would take $70 \times 5 = 350$ minutes to cut them. On the other hand, your observance allowed me to re-think the whole situation. If the spot welds securing the tanks to the sleepers are cut (4 spot-welds of 4" per tank) are cut, the tanks can be toppled over using a 100-ft wire rope cable on the excavator. Since each of the silos weighs approximately 4.74 tons, these can be loaded onto the Lo-boy by the excavator without having to cut them at all (other than the spot welds). This alternative has now been incorporated into Table 1, as well are the \$68.25/hr for the welder, \$19.80 for the torches, and \$71.30 for the gases.

Load, Haul, dump with Contractor-Owned Flat Bed Dump Truck.**Paragraph beginning, "the excavator cost is shown as \$135 per hour".**

Response: The original \$75 per hour was for a standard flat-bed truck and operator. However, the entire situation was reviewed and there is a simpler solution. As was mentioned, there is a high probability that the local scrap dealer will buy and haul away both the silos and pay scrap metal prices for them. Local ranchers or others would be only too receptive to obtaining the good, used steel siding. Therefore, it is most unlikely that any of the steel will have to be hauled away. However, taking the worst of the worst-case conditions into account, the silos and siding would be hauled to the Marysvale steel dump. The Lo-boy truck that hauls the excavator from SLC to the site would normally sit idle at the mill-site while the general demolition was in progress. Only two loads on the Lo-boy would be required. The unit would be capable of hauling both silos to the dump at one time. The good, used siding would be hauled on a second load. I have maintained a cost of \$75 per hour for the use of the Lo-boy. In addition to the truck cost (which would include the small amount of fuel required), I have added, as a separate item, the truck labor cost at \$53 per hour. Therefore, the total cost per hour of the Lo-boy and operator would be the equivalent of \$128 per hour, which is expected to be well above the prevailing rate.

The original cost estimate for the excavator assumed the unit would be a Cat 315 excavator. However, since a Cat 317 B L would have an advantage with loading the silos, I switched the unit in my calculations to the larger unit, at a cost of \$165 per hour (which includes the operator, fuel, overhead and contractor profit).

Reclaim Cost Estimate: Upstairs of Annex

Paragraph beginning, "The equipment to be used in this activity"

Response: In my original cost estimate, I did not include the rental of a chainsaw, the gasoline, or oil, etc. I have therefore included a cost of \$200 in the revised cost estimate to cover the cost for the chainsaw and other small tools, plus profit.

Reclamation Cost Estimate: Fine Ore Bin:

Paragraph beginning, "The fade area of the concrete structure"

Response: The square footage was determined from the inside measurements of the concrete section, which are 22.5 feet long x 2 sides and the inside east wall is 8 ft wide. The holes are drilled to 14.5 feet down from the top. The inside measurements are used because it is easier to drill the horizontal holes from the inside rather than the outside of the walls. The leg of the jackleg drill would have a backstop for about 85% of the holes. However, in assessing your concerns, I decided to drill one set of holes vertically from the top to a depth of 8 feet. The lower section (bottom seven feet) would be drilled by the 1-ft horizontal holes. I have decreased the spacing of the horizontal holes to 1.5 ft vs. 2 ft, in order to ensure a superior break. These changes have been incorporated in the revised Table 1.

Paragraph beginning, "The labor to complete the drilling"

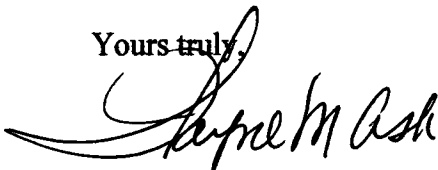
Response: The marking off for the hole-collars for the bottom half of the wall will take 15 to 30 minutes. The leg of the drill is only moved once for every 5 to 6 holes, and when it is moved, it is only moved 18 inches, to the next drill hole line marker. This should take no more than about 10 seconds. Based on my experience as a miner, the average of the advance for drilling is approximately 1 ft/minute. Taking our figure of 3.77 minutes per hole, this leaves over two minutes for collaring a hole, which is much in excess of actual since the wall is flat, not like wall rock underground. For one-foot holes, only a starter steel (2-ft) is required. No steel-changing is required. In consequence, more than ample time has been allotted for the drilling to be conducted.

Paragraph beginning, "The estimate indicates that explosives will be used to"

Response: Several miners with blasting certificates are available in the general area (Marysville and Junction). Loading time is estimated at four hours, which is more than enough, based on my own experience as a blaster. I have assumed that the blaster will cost \$75 per hour and a full 8-hr shift has been allocated in the revised cost estimate. This should be more than adequate to compensate him, no matter where he lives.

I hope the above responses, red-line application, revised cost estimate and additional drawings answer your queries and meet with your approval.

Yours truly,

A handwritten signature in black ink, appearing to read "Wayne M. Ash". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Wayne M. Ash, P. Eng.